

December 16, 1997

Ms. Cynthia L. Johnson  
Director, Cash Management, Policy and Planning Division  
Financial Management Service  
U.S. Department of the Treasury  
401 14th Street, S.W., Room 420  
Washington, DC 20227

Re: Federal Agency Disbursements  
RIN 1510-AA56

Dear Ms. Johnson:

Navy Federal Credit Union appreciates the opportunity to comment on the notice of proposed rulemaking involving the implementation of section 31001(x) of the Debt Collection Improvement Act of 1996. The Act mandates electronic disbursement of direct federal payments (other than IRS refunds) to all recipients, including the "unbanked."

Navy Federal is the nation's largest credit union with nearly \$10 billion in assets and serves more than 1.6 million member-owners. We are a cooperatively organized not-for-profit financial services organization committed to meeting the financial needs of all our members through the credit union philosophy of mutual self-help.

Navy Federal is quite willing to assist in providing services to the "unbanked;" however, Navy Federal and other credit unions are prohibited by law from serving the general public. Membership in credit unions is limited by governing federal or state legislation. One possible solution to this legal and regulatory limitation would be for the National Credit Union Administration (NCUA) to modify the charters of all federal credit unions to permit them to serve the "unbanked."

Treasury's proposed rule, 31 CFR Part 208, provides virtually no information on electronic transfer account specifications, financial institution requirements, and how federal disbursement recipients would be provided "access to an account at a Federally-insured financial institution." However, the supplementary information accompanying the proposed rule in the *Federal Register*, dated September 18, 1997, discusses alternative means of implementing electronic disbursements and requests comments on several issues. Although the details of Treasury's proposed program have not been made available, information provided and comments requested indicate a highly structured process that would require substantial development and implementation costs. Further, Treasury appears to expect a competitive bidding and selection process, highly structured accounts, and complex delivery systems.

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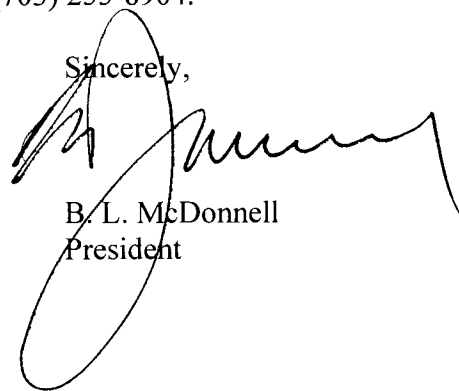
Navy Federal believes the expensive and complex structure for the electronic transfer accounts contemplated by Treasury is ill-advised and unnecessary to implement the provisions of the Debt Collection Improvement Act of 1996. The infrastructure already exists within the financial services industry to meet those requirements. We strongly recommend that Treasury use the existing financial institutions' infrastructure to implement mandatory electronic disbursement of federal payments. This could be accomplished if Treasury would:

1. Establish minimum standards for the electronic transfer accounts, keeping in mind that such accounts would, in the vast majority of cases, serve persons who currently make a monthly, one-time conversion of each check to cash (or possibly some other item of value such as a money order). We believe a simple account which permits a small number of deposits and a small number of withdrawals per month would be adequate.
2. Require each federally insured financial institution to participate in the program **unless** it certifies that it does not currently have an account that meets the minimum requirements, that it is prohibited by law or regulation from participating, or that it would otherwise cause a hardship for the financial institution.
3. Assign each "unbanked" federal payment recipient to a financial institution based on zip code or other location criteria. In cases where more than one financial institution met the assignment criteria, Treasury could use random or rotating assignments. Recipients would be free to change their assigned financial institution at any time.

Use of the existing financial industry electronic transfer and account infrastructure to implement mandated electronic disbursements of federal payments would permit Treasury to "mainstream" the "unbanked" as indicated in the supplementary information, minimize the adverse impact of transferring the cost of federal disbursements from the government to the private sector, and maximize the participation of the financial institutions in the electronic transfer accounts program.

If you have any questions concerning these comments, you may contact me at (703) 255-8201 or Brady Cole, Senior Vice President, Planning at (703) 255-8904.

Sincerely,

A handwritten signature in black ink, appearing to read "B. L. McDonnell", is written over a large, loopy circular flourish.

B. L. McDonnell  
President

BLM/bb